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INTERNATIONAL FINANCES

BY FRANK W. MAHIN

GREAT BRITAIN, France, and Germany are the countries which naturally suggest themselves for comparison in a study of international finances, since they and the United States are always classed together in any category of countries most distinguished for progressive activity in commerce, for general intelligence, and for the other elements constituting a great nation. The comparison is made, of course, with the finances of the three European countries as they were before the present war began.

In making a comparison, the colonies of all these countries are excluded, for where they are not fully self-supporting their annual cost to the respective parent countries is negligible in the vast totals of Government accounts. Besides, this comparison is only to show the relative weight of the financial burdens carried by the people of the countries in question, and it is immaterial where the tax-raised money is expended.

The Government expenditures of all these nations have grown steadily year by year. Between 1900 and 1913 they grew in the United Kingdom of Great Britain and Ireland from \$700,000,000 to \$917,000,000 a year; in France, from \$709,000,000 to \$945,000,000; in Germany, from \$577,000,000 to \$900,000,000. During the same period in the United States the growth of Government expenditures was from \$590,000,000 to \$969,071,190, this not including \$41,741,258 spent on the Panama Canal. The most of the increase in the United States was on three accounts—pensions, the navy, and the postal service.

While the increase in the United States was absolutely greater than in either of the other countries, it was less in proportion to growth of population. In 1900 the Govern-

ment expenditures of this country averaged \$7.90 per capita, and in 1913 about \$10 per capita; those of Great Britain averaged \$17.24 per capita in 1900 and \$20 in 1913; those of France, \$18.30 in 1900 and \$23.60 in 1913; those of Germany, \$10.27 in 1900 and \$13.45 in 1913. Thus, the increases during the thirteen years were, in the United States \$2.10 per capita, in Great Britain \$2.76, in France \$5.30, in Germany \$3.18.

The expenditures of the United States were not only less per capita than those of the other countries, but very much less in proportion to national wealth. The wealth of the United States, according to the latest estimates, is 140 times its annual Government expenditures; that of Great Britain, 93 times; of France, 75 times; of Germany, 73 times.

We have seen that the per capita expenditures of the United States for National Government purposes are much less than those of the other countries considered. The contrast is also brought out forcibly by comparing the population and area of the countries. While the expenditures of the United States are but little more than those of either of the other countries, it has nearly 25 times the area of the United Kingdom and over twice its population; over 14 times the area of France and over twice its population; over 14 times the area of Germany and 50 per cent. more population.

In the matter of debt, comparison also favors the United States. According to recent official statements our national debt is \$1,028,000,000, or \$10.45 per capita of the population; Great Britain's, \$3,486,000,000, or \$76.35 per capita; France's, \$6,346,000,000, or \$160.25 per capita; Germany's, \$1,300,000,000, or \$19.70 per capita.

It might be supposed that the separate debts and expenditures of our sovereign States would offset the favorable difference between the United States and those other countries, but such is not the case. They also have local divisions, with separate debts and expenditures. The total annual expenditures of all our States approximate \$400,000,000, and their total debt is also about \$400,000,000. There is nothing in Great Britain and France fairly comparable with our States, though in some respects they resemble the shires and departments of those countries. But the German States materially resemble our States in their financial independence; they levy direct taxes, while the revenues of

the Imperial Government are derived mainly from indirect taxation, like those of our own National Government. The total expenditures of the German States approximate \$1,600,000,000 a year and their total debt is about \$4,000,000,000. However, a considerable part of this enormous State debt is due to construction and ownership of railroads, which form an important asset against the debt.

Then there are the county and municipal expenditures and debts in the United States, and their like exists in those other countries. Such local expenditures in the United States annually aggregate approximately \$2,300,000,000 and the local debts about \$2,800,000,000. In Great Britain similar local expenditures aggregate \$930,000,000 a year; with local debts totaling \$3,365,000,000. Much of this British local debt was caused by the purchase and construction of water-works, gas and electric works, street railroads, and so forth, by cities. In France corresponding local expenditures are placed at the relatively low annual total of \$420,000,000 and debts at \$1,100,000,000. In Germany official returns of annual local expenditures aggregate only \$320,000,000, with debts of \$1,200,000,000.

The foregoing items tabulate as follows:

EXPENDITURES.

	Great Britain.	France.	Germany.	United States.
National.....	\$ 917,000,000	\$ 945,000,000	\$ 900,000,000	\$ 969,000,000
State, city, etc....	930,000,000	420,000,000	1,920,000,000	2,700,000,000
Total.....	\$1,847,000,000	\$1,365,000,000	\$2,820,000,000	\$3,669,000,000
Per capita.....	\$41	\$34	\$42.70	\$37.40

DEBT.

National.....	\$3,486,000,000	\$6,346,000,000	\$1,300,000,000	\$1,028,000,000
State, city, etc....	3,365,000,000	1,100,000,000	5,200,000,000	3,200,000,000
Total.....	\$6,851,000,000	\$7,446,000,000	\$6,500,000,000	\$4,228,000,000
Per capita.....	\$152.24	\$184.60	\$98.50	\$43

These figures show that the United States has a much lighter debt burden per capita of population than any of the three countries compared, and a lighter tax burden per capita than any of those countries except France. But even this exception is probably erroneous, because the available statistics of public local expenditures in France are believed

to be incomplete. That is also true of the corresponding statistics for Germany. So it is probable that the total public expenses of France per capita are as high as those of the United States, if not higher, and that the per capita of Germany is still higher than appears by the preceding table.

All these figures apply to a time of peace. The war in which these other countries are now engaged will immensely widen the comparative difference between their expenses and debts and those of the United States. Great Britain's debt may be doubled, France's increased one-half, and Germany's tripled or quadrupled. Taxes have already been heavily increased to pay the current expenses of the war, and taxes must remain at an abnormal height for years after the war to meet obligations and to repair the wreck and devastation caused by it.

France has the largest debt of any country in the world. It was created by wars and the extravagance of monarchs. But in later years France's finances have been managed with skill and prudence. The readiness and apparent ease with which France paid the \$1,000,000,000 indemnity to Germany in 1871 astonished the world.

It is said that this great sum gradually disappeared from the German treasury during the ensuing six years, for Germany's ordinary revenues were less than its expenses. Subsequent deficits have been met by loans, so that nearly every year has witnessed an increase of Germany's debt. It has doubled during the last twenty years, though it is still much less than the combined debt of the German States. However, this national debt increase does not mean waste or extravagance, but rather an insufficiency of revenue. For means to meet its national expenses Germany is practically limited to customs duties and internal revenue taxes. Income taxes, which are indispensable to the national treasuries of various other countries, are levied entirely by the German States and municipalities and go into their treasuries. Notwithstanding the great development of Germany's army and navy in recent years, its expenditures in that direction have been relatively small. The cost of the German army has averaged about \$240,000,000 a year and of the navy about \$120,000,000 a year for the past five years. Germany's standing army was 870,000. Great Britain's army cost during the same period averaged \$135,000,000 and its navy \$210,000,000 a year, with a standing army of 250,000.

France's army cost averaged \$200,000,000 and its navy \$90,000,000 a year; standing army, 700,000. The cost of the United States army averaged about \$115,000,000 and of its navy about \$125,000,000 a year; standing army, 100,000. The relatively higher cost of the United States army is due mainly to its soldiers being better paid than those of other armies.

The national debt of the United States has been practically stationary during the past twenty-five years, though it has decreased nearly one-half per capita of the population. The per capita interest charge on this debt is now 23 cents annually. Great Britain's interest charge is \$2.41 per capita; France's, \$4.71; Germany's, 83 cents.

The per capita circulation of money in the United States December 1, 1914, was \$36.40. Recent statements gave the per capita circulation in Great Britain as \$21.21; in France, \$48.91; in Germany, \$21.36. France leads not only in the per capita of all kinds of money in circulation, but also in that of gold, with \$30.30 per capita, against \$19.48 in the United States, \$16.10 in Great Britain, and \$13.30 in Germany.

All these countries have uncovered paper money—that which is not represented by an equal amount of coin or bullion held in the national treasury to redeem it on demand. The United States leads with approximately \$1,000,000,000 worth of uncovered paper—the amount varying with financial requirements. According to recent statistics France follows with \$325,000,000 worth, Germany with \$261,600,000, and Great Britain with \$115,200,000. Apparently the United States has a vast lot of irredeemable paper money afloat; but in fact all except some \$200,000,000 of its uncovered paper is national bank notes, secured by United States bonds held in the treasury. The national bank paper has been greatly increased by issues under the present currency law, previous to which the total amount of our uncovered paper was under \$800,000,000. The increase was made possible by the Congressional legislation of the past two years, giving our financial system the elasticity for lack of which it has been invidiously compared with the systems of other countries.

We have seen how favorably the United States appears in contrast with other great countries in respect to public debt and expenditures. Even if those countries had not engaged in war there is no reason to doubt that the comparison would have continued to favor the United States in-

definitely so far as national debt and expenses are concerned. But it is less certain as to local debt and expenses, particularly those of towns and cities. They have increased prodigiously in this country during the last twenty-five years, out of proportion to increase of population, and in striking contrast to the moderate growth of State debt and expenses. Supervision and control akin to what the British Government exercises over British cities would be wholesome for American municipalities which are inclined to prodigality.

But the State control in this country should be through constitutional restrictions upon municipalities rather than through mere legislative enactment, which always lacks stability and certainty and might be meddlesome and capricious or inspired by party considerations and personal interests.

FRANK W. MAHIN.